

**SALES AND USE TAX REVIEW COMMISSION  
RECOMMENDATION PURSUANT TO P.L. 1999, C.416**

BILL NUMBER: S-791

DATE OF  
INTRODUCTION: Jan. 24, 2002

SPONSOR: Senator Ciesla

DATE OF  
RECOMMENDATION: Mar. 26, 2002

IDENTICAL BILL: A-2186

COMMITTEE: Senate Transportation

**DESCRIPTION:**

The bill would provide a sales and use tax exemption for the purchase of certain very low-emission motor vehicles that satisfy the standards in Phase II of California's Low Emissions Vehicle program.

**ANALYSIS:**

This bill attempts to use a sales tax exemption as a tool for encouraging what's deemed to be desirable behavior (manufacturing, selling, purchasing and using vehicles that are less harmful to the natural environment). This commission generally prefers sales tax legislation to be far more "neutral" in its impact on the behavior of vendors and consumers. Therefore, even if an exemption seeks to do some good by encouraging buying and selling behavior that benefits the public, the Commission is simply not in favor of using tax legislation as a social/political/environmental policy tool.

Basing a New Jersey tax exemption on the standards in another law which is neither a New Jersey law nor even a tax law is rather troublesome. This bill, by its explicit terms, requires the Treasury to work in conjunction with the Department of Environmental Protection in promulgating any regulations needed in order to implement this sales tax exemption. This joint effort is of course a practical necessity, but it also reflects the complex nature of tax exemption standards that are based on standards in environmental law. In addition, because the California environmental standards may change, New Jersey's sales tax standards might even be subject to change because of amendments or administrative modifications on that state's low emissions vehicle program.

It is estimated that this sales tax exemption, if enacted, would result in annual revenue losses of approximately \$300,000.

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RECOMMENDATION: Oppose

COMMISSION MEMBERS FOR PROPOSAL: 1

COMMISSION MEMBERS AGAINST PROPOSAL: 4

COMMISSION MEMBERS ABSTAINING: 1

COMMISSION MEETING DATE: March 26, 2002

CMT:sp